
Investor Day
June 19, 2019
CommonSpirit

Disclaimer

This presentation is provided as of June 19, 2019. It has been prepared for informational purposes only, and it should not be used for the purpose of making investment decisions.

As described herein, effective February 1, 2019, Dignity Health and Catholic Health Initiatives (collectively, the "Historical Organizations") have aligned their respective ministries as a single, Catholic, nonprofit health system known as CommonSpirit Health.

The respective indebtedness and obligations of the Historical Organizations remains separate until such organizations can be consolidated into a single credit (the "Debt Consolidation"). Any Debt Consolidation will be dependent upon the terms and conditions of each Historical Organization's indebtedness and other agreements, and then-existing financial, credit, and capital market conditions. There can be no assurance that any debt will be refinanced, and if such debt is refinanced, the timing thereof.

This presentation is not intended to supplement or be a substitute for the legal disclosure for either Historical Organization or for the disclosure related to the public offering of any of their respective securities. The information contained herein is subject to completion and amendment without notice. If you are viewing this presentation after the date stated above, events may have occurred that have a material adverse effect on the information presented. This presentation does not constitute nor does it form part of an offer to sell or purchase, or the solicitation of an offer to sell or purchase, any securities. An offering of securities may only be made by an official statement. Investors should obtain and read the official statement before making an investment decision.

This presentation contains "forward-looking" statements that involve known and unknown risks, uncertainties and assumptions inherent in the operation of health care facilities. Actual actions or results may differ materially from those expressed or implied by the forward-looking statements in this presentation. Accordingly, we caution you not to place undue reliance on these statements. All statements other than the statements of historical fact could be deemed forward-looking. All opinions, estimates, projections, forecasts and valuations are preliminary, and are subject to change without notice.

This presentation is based on available information as of the date of the presentation, and neither Historical Organization undertakes any obligation, other than as required by applicable law, to update or revise this presentation, whether as a result of new information, subsequent events, anticipated or unanticipated circumstances or otherwise. By viewing this presentation you acknowledge that you understand and agree to the provisions of this page.

Agenda

Welcome Address	Dan Morissette; SEVP, Chief Financial Officer
Building a New Ministry	Lloyd Dean and Kevin Lofton; Chief Executive Officers
Discussion with the Office of the CEO	Lloyd Dean, Kevin Lofton, and Dan Morissette
Legal Structure	Mitch Melfi; SEVP, Chief Legal Officer
Operating Model and Divisions	Marvin O'Quinn; President & Chief Operating Officer
Clinical Operations	Dr. Robert Wiebe; EVP, Chief Medical Officer Kathleen Sanford; EVP, Chief Nursing Officer
Break	
Strategic Transformation	Charlie Francis; SEVP, Chief Strategy and Transformation Officer
Innovation Panel	Moderator: Charlie Francis; SEVP, Chief Strategy and Transformation Officer Pablo Bravo; VP Community Health Adam Rice; SVP Marketing Rich Roth; SVP / Chief Strategic Innovation Officer
Maintaining and Improving Performance	Dan Morissette; SEVP, Chief Financial Officer
Debt Consolidation	Jean Ham; VP, Assistant Treasurer
Q&A	
Closing Remarks	Dan Morissette; SEVP, Chief Financial Officer

Building a New Ministry

Strategic Vision

We will **champion wellness** and deliver **exceptional patient care** as a **leading** and **sustainable clinical enterprise,** promoting **healthy populations** in our communities.

CommonSpirit™

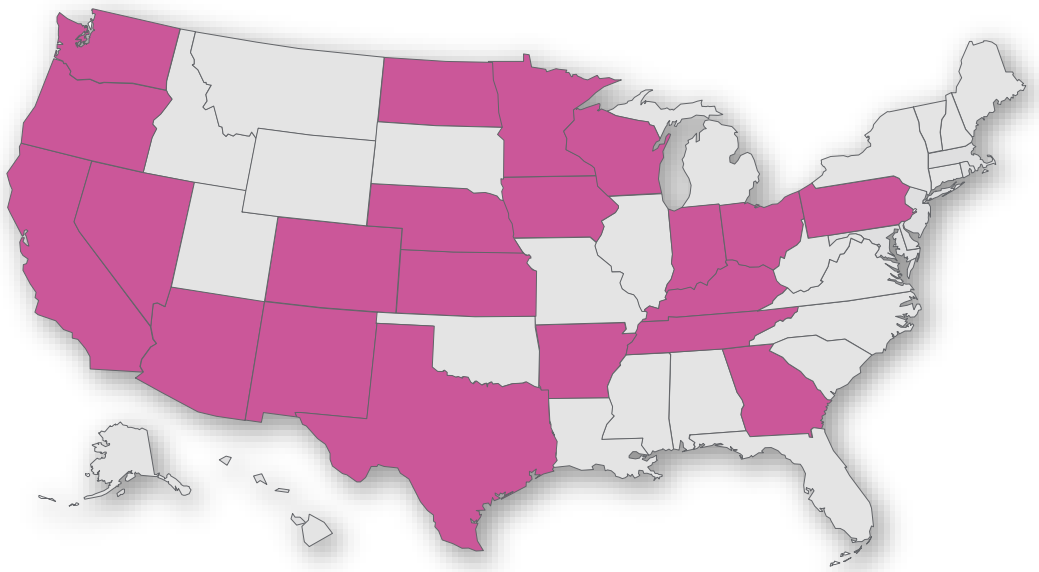
CommonSpirit Health

As of June 30, 2018 for all Operational and Financial Data

150 K
Employees

25+ K
Affiliated Physicians and APCs

93 K
Deliveries



21
States**

$29.2 B
Operating Revenue

$1.8 B
EBITDA*

$12.1 B
Unrestricted Cash

*Normalized for various one time items
** 45 states through partnership with Concentra

CommonSpirit

Five Transformative Strategies


Advocate for Healthy Populations


Coordinate and Customize Care


Address Unique Needs of those we Serve


Enhance Consumer Engagement


Inspire our Workforce

Being a Change Agent Means We Must:

- Continue evolving to put patients at the center of care
- Meet the demands of a dynamic and competitive market
- Be financially stable and financially sustainable
- Be nimble, to meet whatever challenges come our way
- Flex to our environment to meet the realistic needs of the communities we serve
- Scale the best we have across the ministry

CommonSpirit™

Governance Structure

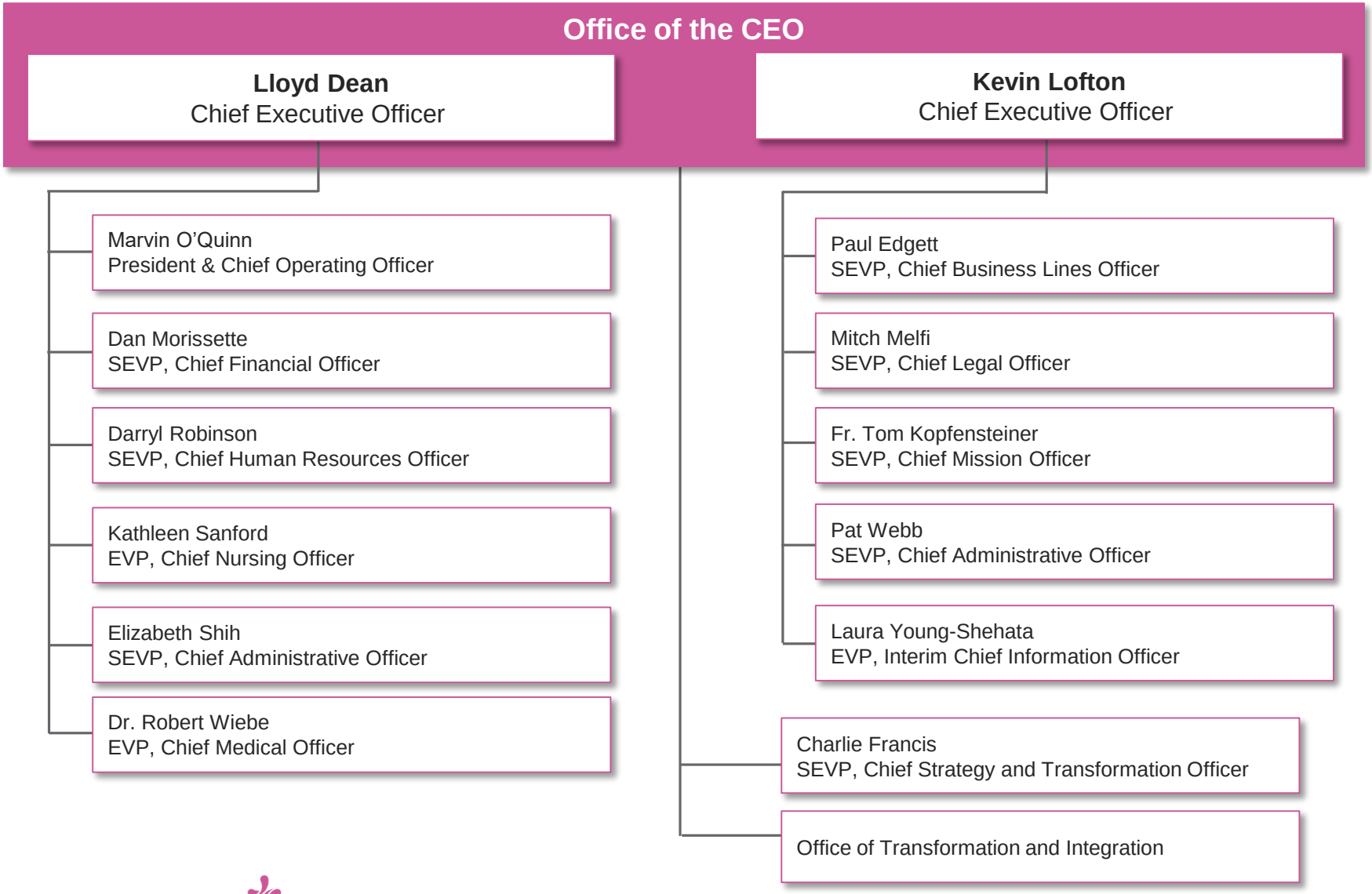
Board of Stewardship Trustees

Tessie Guillermo - Chair
Chris Lowney – Vice Chair
Polly Bednash, PhD
Kent Bradley, MD
Judy Carle, RSM
Lloyd H. Dean
Mark DeMichele
Barbara Hagedorn, SC
James Hamill
Peter Hanelt
Antoinette Hardy-Waller, RN
Kevin E. Lofton
Patrick Steele
Gary Yates, MD

Standing Committees

- Sponsorship and Governance
- Executive
- Finance
- Investment
- Audit and Compliance
- Quality, Safety, and Patient Experience
- HR/Compensation
- Mission/Advocacy
- Technology

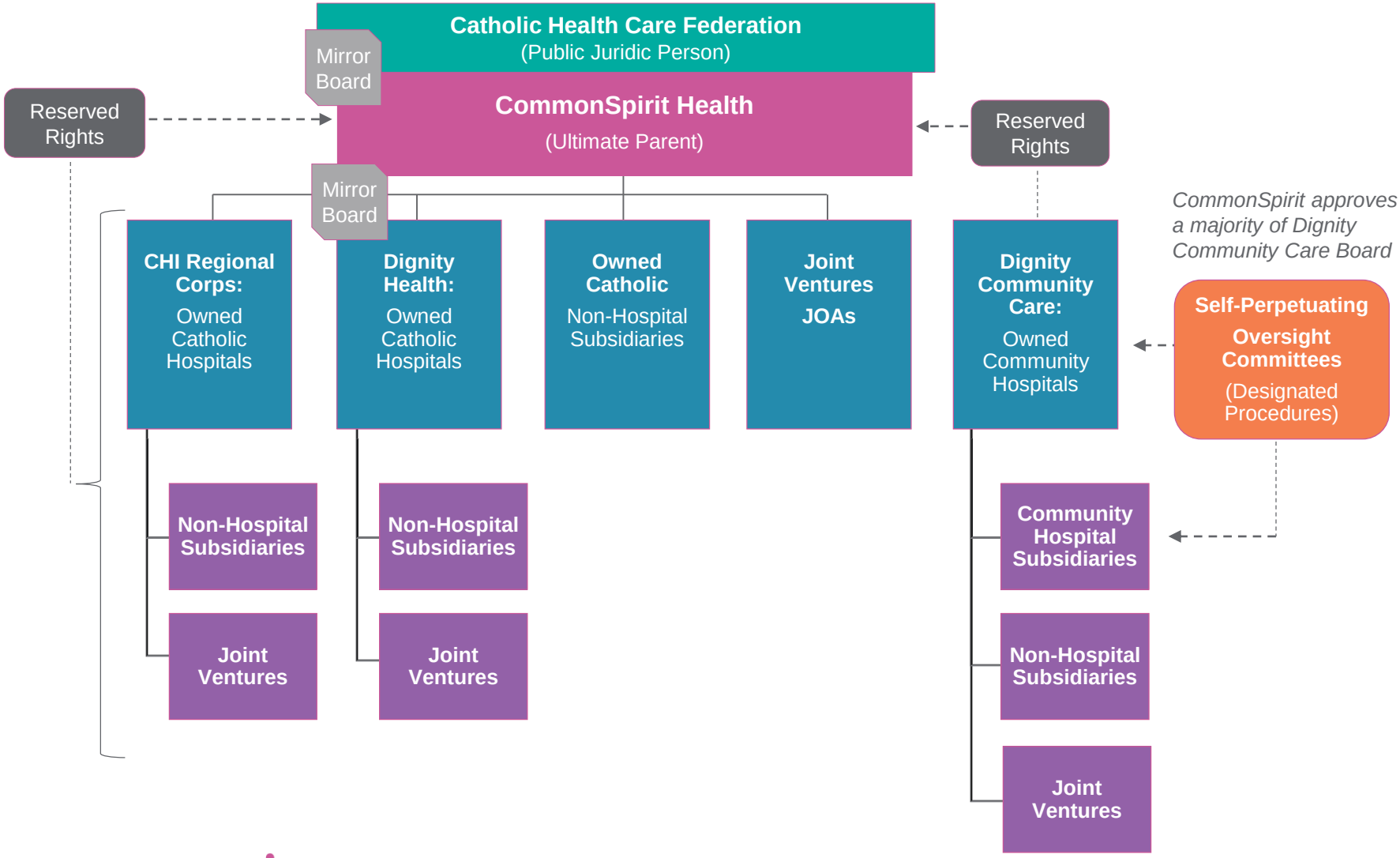
Organization Structure – Executive Leadership Team



Discussion with the Office of the CEO

Legal Structure – Designed for Growth

Corporate Structure - Positioned for Growth



Reserved Powers – System Governance Matrix

"Important actions that might be taken by an entity affiliated with CommonSpirit Health and the corresponding approvals it must obtain before proceeding with such action."

Corporate Activities

- Amending Articles of Incorporation/Bylaws
- Appointing and removing Directors
- Canonical approval of alienation of property
- Hospital closures, sale/disposal of assets
- Incurrence of debt
- JVs, partnerships, new corporation formation
- Mergers, consolidations or dissolutions
- Appointment or termination of a CEO
- Amending the Statement of Common Values

Operational Activities

- Strategic Plans
- Operating and capital budget
- Selection or removal of auditors

Executive Compensation

- Adopt executive compensation philosophy
- Adopt incentive compensation design
- Approve executive compensation plans and perquisites
- Adopt annual and long-term incentive plan goals and approve plan payouts

Operating Model and Divisions

Operating Company Vision

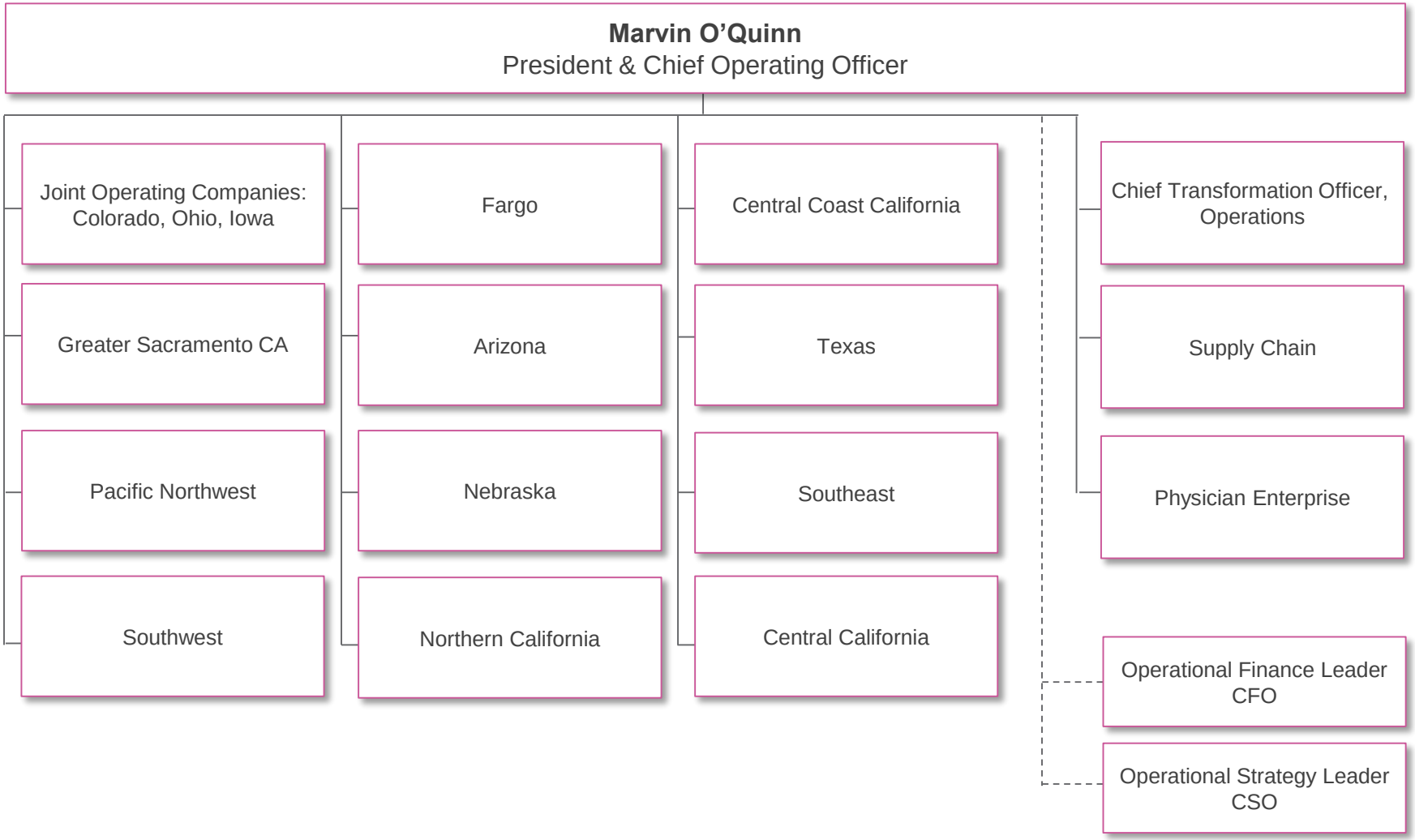
Culture and Norms

- Work for the benefit of the whole
- Adopt and build best practices
- Clearly defined decision rights
- Standardization and integration
- Local strategy with system support
- Collaboration and teamwork
- Accountability

Actions

- Evaluate markets, strategies and opportunities
- Refine market/service area structure
- Clarify responsibilities
- Focus on growth and strategy
- Adjustments to operating structure
- Clarify capital process and operating expectations
- Advance debt restructuring work

Operating Leadership Structure



Division Structure Crosswalk

	Pre-Alignment	CommonSpirit Health Divisions
Dignity Health	Greater Sacramento	Greater Sacramento
	Arizona	Arizona
	Southern California Nevada	Southwest
	Central California	Central California
	Central Coast	California Central Coast
	Bay Area North State	Northern California
Catholic Health Initiatives	Pacific Northwest	Pacific Northwest
	Colorado	Colorado
	Texas	Texas
	Nebraska	Nebraska
	Kentucky Arkansas Ohio Tennessee	Southeast
	Iowa	Iowa
	North Dakota/Minnesota	Fargo

Division Overview

Fiscal Year End June 30, FYTD Q3 2019, $ in Millions, Proforma Unaudited

Division	Net Revenue*	EBITDA*
Southwest	$2,215	$107
Greater Sacramento	$2,120	$94
Arizona	$1,751	$104
Northern California	$1,511	$65
Central California	$1,491	$148
California Central Coast	$1,016	$60
Pacific Northwest	$2,122	$192
Southeast	$2,084	$69
Colorado	$1,871	$270
Texas	$1,745	$88
Nebraska	$1,541	$117
Iowa	$781	$45
Fargo	$535	$21

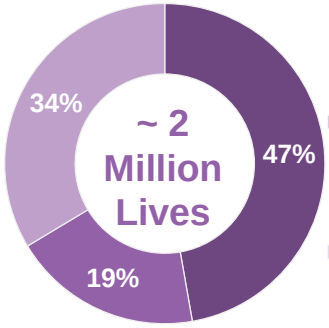
Accounting methodologies and overhead allocations are different between CHI and Dignity Health, therefore EBITDA is not comparable at this time

*Normalized for provider fee timing

Physician Enterprise

As of December 31, 2018, Proforma Combined

Value Based Agreements



Commercial

- Managed Care Payor
- Managed Care Shared Savings
- Direct to Employers
- PCP Only

Medicare

- Medicare Advantage
- Bundles Program
- MSSP
- NextGen
- Traditional Other

Medicaid

- Managed Care Risk Savings
- Managed Care Shared Savings
- Traditional State Programs

Clinically Integrated Enterprise

Context

- Engage clinicians in multiple ways
- Organized under a dyad model
- Jointly strategize clinician network needs focused on where health care delivery is migrating
- Scale best practice across the 22 state clinical network.
- Capitalizing on our proprietary data warehouse

14	13	25,000	3
CINs	Medical Groups	Affiliated Providers	MSOs

Value Capture Opportunities Examples

Service Line Rationalization	**Dyad Leadership**	**Optimize Clinic Labor**
RCM Vendor Consolidation	**MSO Expansion**	**CIN Software Consolidation**

Bundled Payment Programs

Since inception

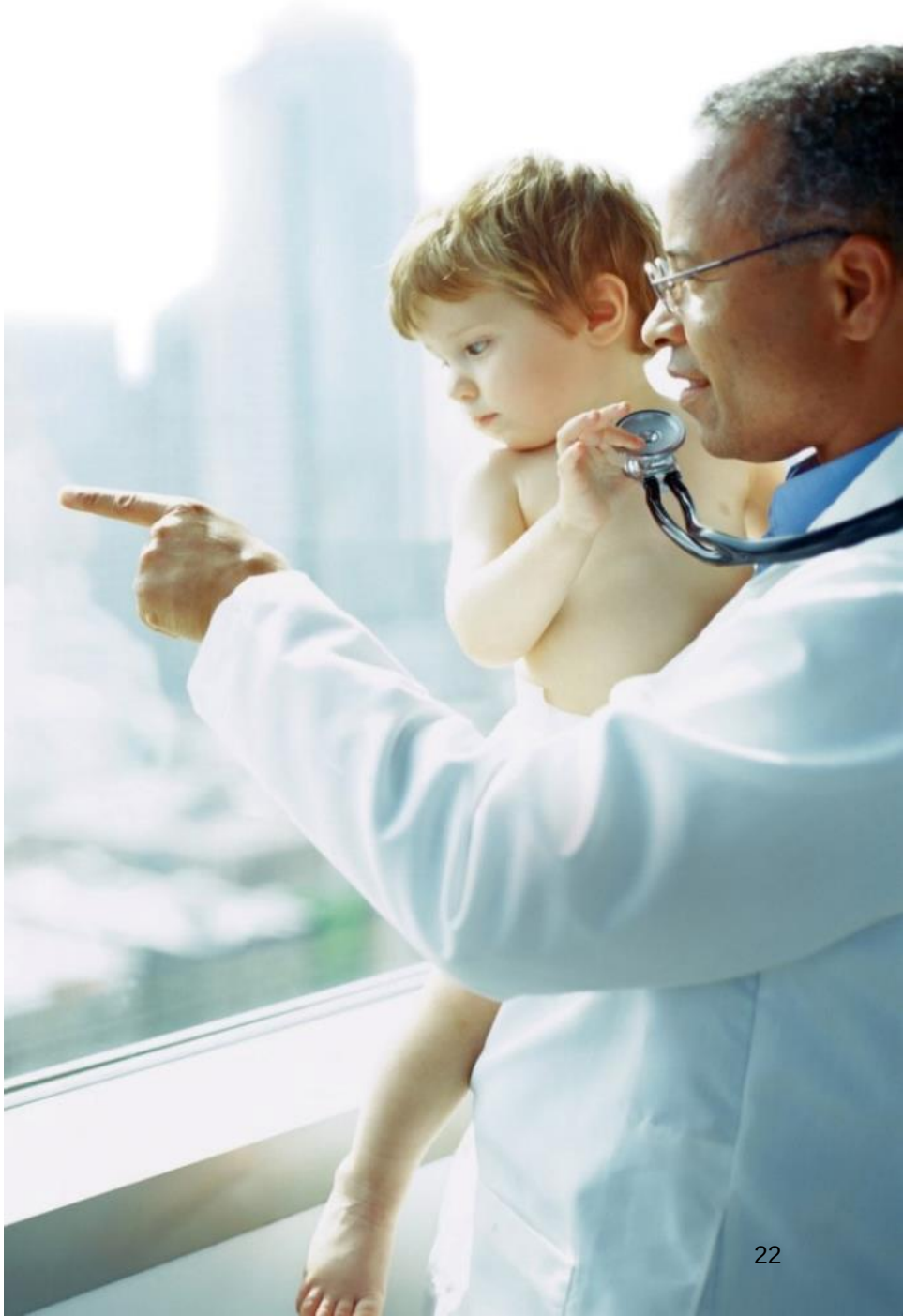
CHI		Dignity Health
14,000	Patients	41,000
38% ↑	Home Health	18% ↑
21% ↓	90 day readmission	4% ↓
29% ↓	SNF utilization	11% ↓
65% ↓	IRF utilization	34% ↓
$9 M	Savings to date	$50 M

CommonSpirit

Clinical Operations: Ensuring Safety, Improving Quality, and Delivering on Patient Experience

Critical Success Factors

- Evidence-based opportunity **(inspiration)**
  - Standards exist
  - Gap between evidence and current practice
  - Stories
- SMART goals **(engagement)**
  - Specific, measureable, acceptable and realistic in a time frame
- Physician and dyad champions **(leadership)**
- Tools and resources **(support)**
- Feedback and performance reviews **(accountability)**
- Celebrations **(sustainability)**



CommonSpirit

Value Capture Activities

Efficient Staffing and Services	• Establish standard quality department staffing model • Centralize manual data abstraction services • Centralize infection prevention surveillance
Quality Improvement Tools and Purchased Services	• Standardize peer review support and quality reporting • Rationalize event reporting • Consolidate professional society registries and other benchmarking vendors
Clinical Excellence	• Set national standards for key processes and outcomes • Prioritize clinical improvement projects to address variation • Address and reduce unjustified utilization

Early Clinical Priorities

Patient Safety

- Establish high reliability organizations (HROs) to reduce harm

Quality

- Disseminate evidence-based practices
- Transform clinical workflows
- Strengthen clinical service lines in high-impact specialties

Clinical Data Science

- Employ machine learning and predictive analytics

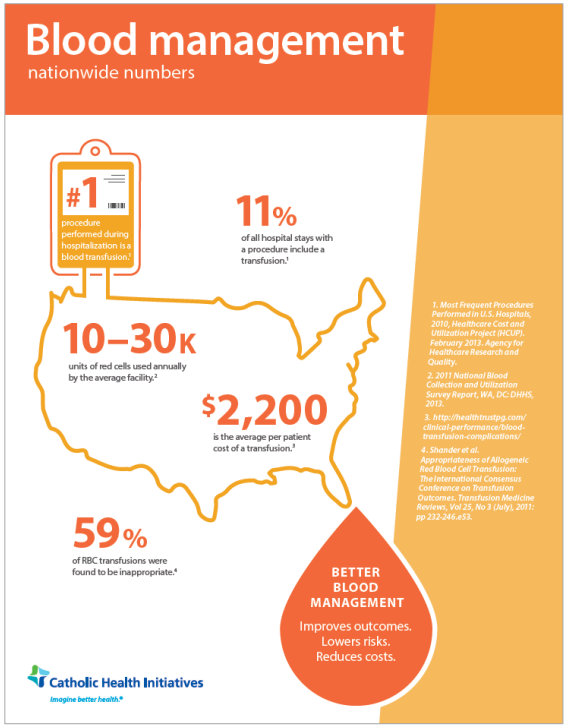
Patient Experience

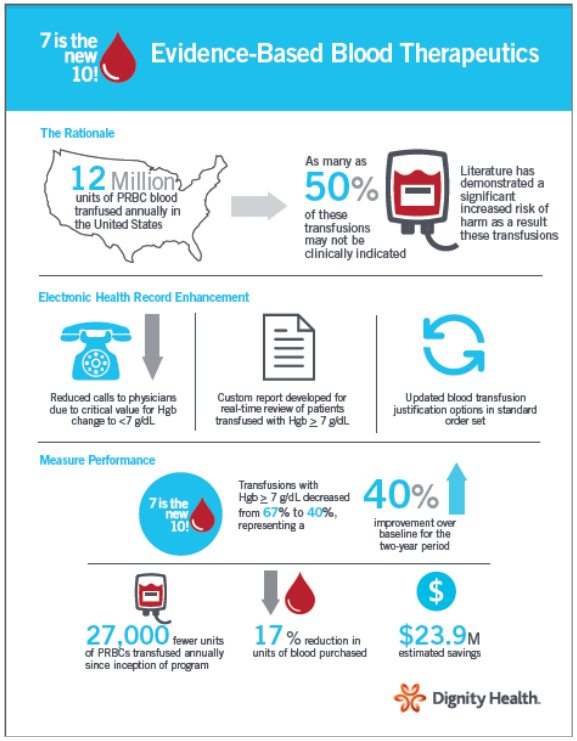
- Enhance experience to build loyalty and generate growth

Caregiver Experience

- Address and reduce unjustified utilization

Patient Safety Example: Blood Therapeutics





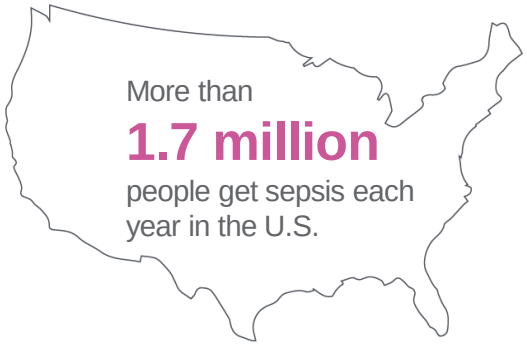
- Harmonization required
  - Inclusion and exclusion criteria
  - Transfusion threshold
  - Metric
  - Cost savings methodology/accounting

- Additional savings potential
  - Outlier improvement to CommonSpirit Health median
  - Estimated annual savings of more than $6 million

CommonSpirit™

Quality Example: Sepsis

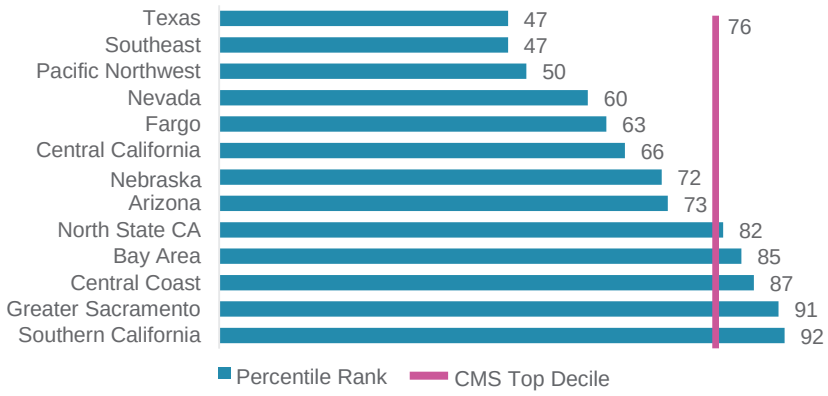
The Rationale



About **270,000** Americans die from sepsis each year

1 in 3 patients who die in a hospital have sepsis

Sepsis Bundle Compliance



Complete bundle compliance associated with a

31% lower risk of mortality

Blood Cultures, Early Antibiotics, Serum Lactates, Early Fluid Resuscitation

CommonSpirit

Patient Experience

- Patient experience is five times more likely to influence brand loyalty than other marketing strategies
- Consumers are more likely to turn to the internet than to talk to family and friends when researching a new physician
- The majority of consumers research a physician on the internet, even after receiving a referral from a primary care provider
- Consumers specifically seek out and are influenced by patient ratings and reviews
- Consumers value positive and negative comments for different reasons and both influence consumer choice

- Press Ganey White Paper on Consumerism

Patient Experience Example: HCAHPS

CMS HCAHPS Measures

Communication with Nurses	Communication with Doctors	Responsiveness of Hospital Staff
Care Transition	Communication about Medicines	Hospital Cleanliness and Quietness
Discharge Information	Likelihood to Recommend	Overall Rating of Hospital

41

Year to date 2019 division average HCAHPS percentile rank

How We Will Improve Patient Experience

System-wide Playbook
Best practices proven to improve patient experience

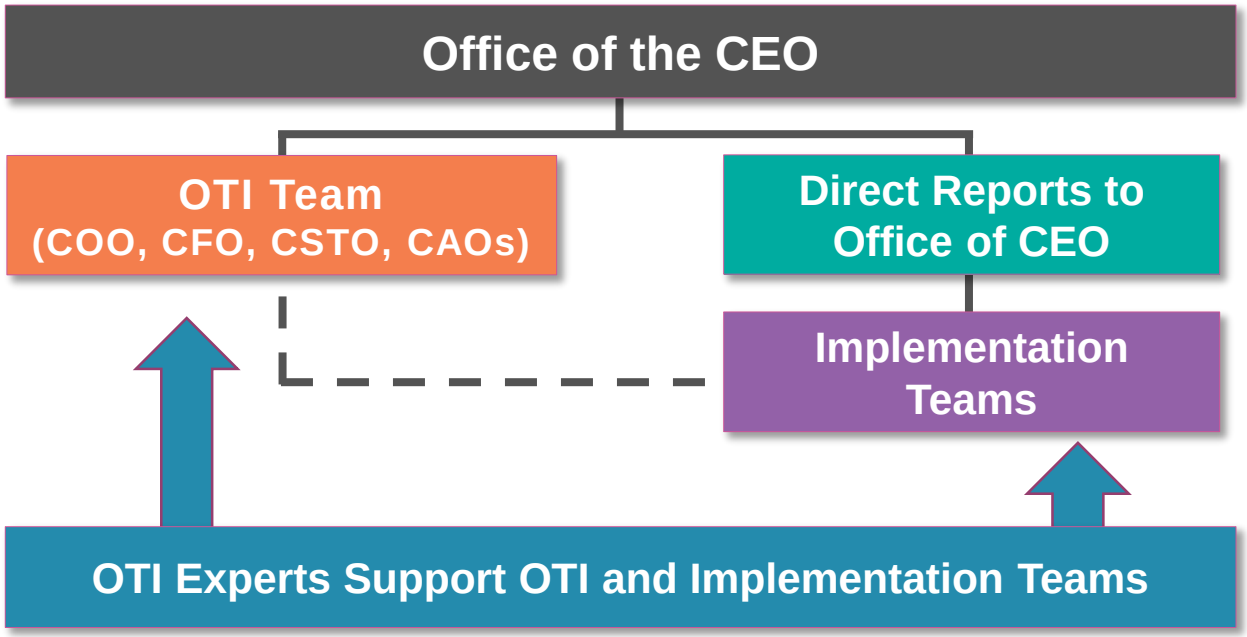
- Engaging the nursing and clinical staff
  - Acuity-based staffing models using common definitions and criteria
  - Innovative staffing models leveraging technology and working at top of license
  - Nurse leader/clinician development program
  - Succession planning at all levels
  - Shared decision making models that support staff level engagement and innovation
  - Clinical education optimization that supports individual development plans and specialty training

Break – 15 minutes

Integration and Transformation

Office of Transformation and Integration (OTI)

Sustaining Meaningful Impact: Fundamentally changing performance improvement and integration efforts to improve the underlying health of the organization and drive performance



Guiding Principles

1. Agile and empowered
2. Agent of CEOs
3. Single source of truth

Clear and Unified Operating Identity and Approach

1. Achieve top quartile quality and patient experience scores
2. Drive benchmark growth
3. Drive down costs with Office of the CEO single line of accountability
4. Maximize throughput by scaling best practices
5. Sweat the small stuff

Cultural Transformation

Team Leaders are Aligned and Focused on a Common Set of Success Factors

1. Diversity, Inclusion, and Belonging
2. Change Agility
3. Ownership and Accountability
4. Connection to Meaningful Mission and Values
5. Excellence
6. Communicate, Communicate, Communicate

New Model and Culture Drive Significant Change

One Model

All Functions

Clear Decision Rights

End to End Transformation

Structure and Management Aligned for Agile Decision Making and Issue Resolution

Comprehensive Transformation and Integration Plan

Ambitious Financial and Operational Goals

Accountability and Transparency

Relentless Weekly Performance Management Cadence

Commitment to a Shared Set of Norms

Integration Efforts

Driving Success

33 Implementation Teams

370 Value Capture Initiatives

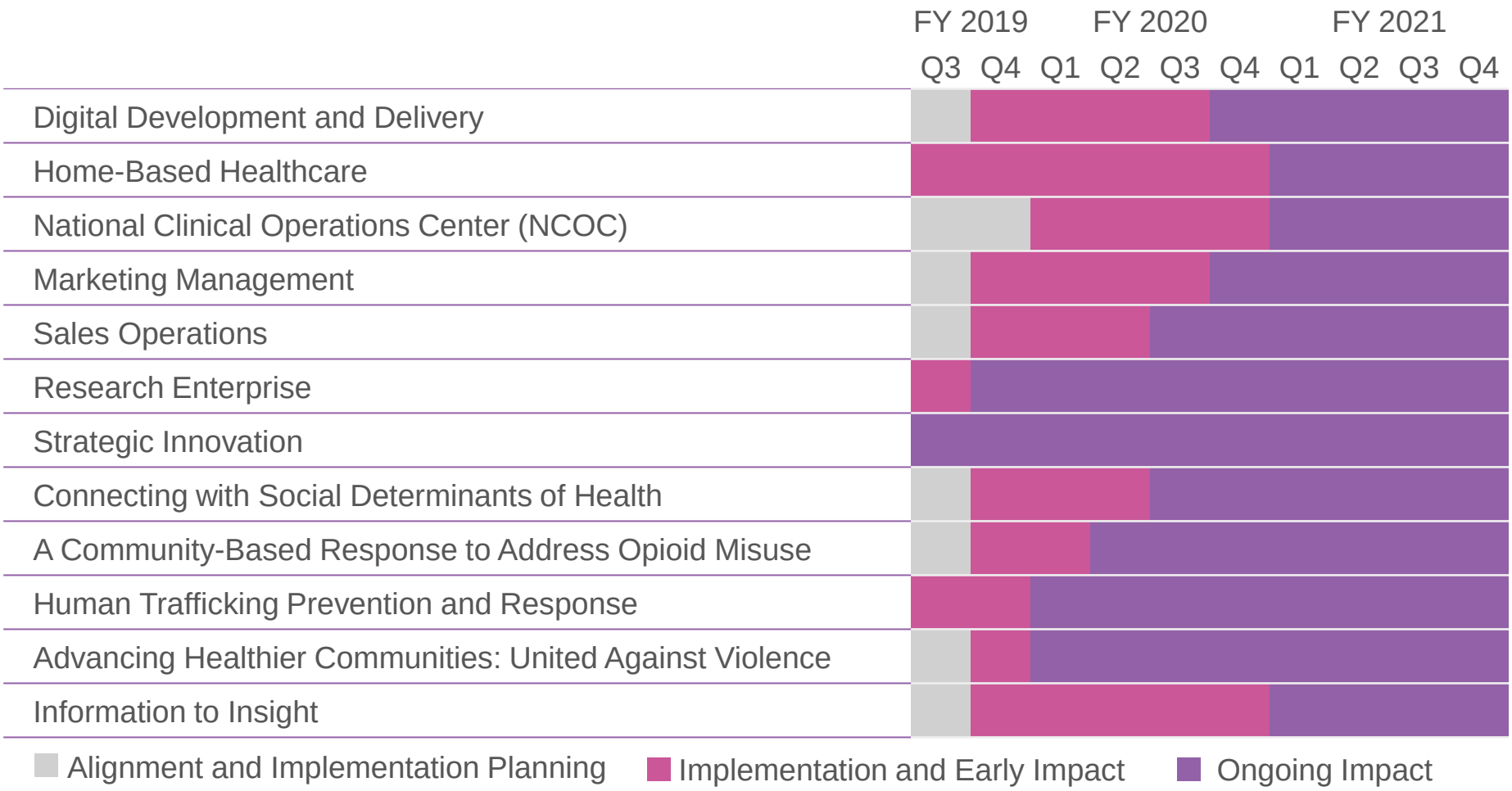
600 Integration Initiatives

1 Model

CommonSpirit

Scaling Competencies - Bright Spots

Activities that accelerate transformation and extend key capabilities across CommonSpirit Health



Innovation Panel Discussion

Financial Outlook: Maintaining and Improving Performance

Financial Imperatives

Cash Flow

Performance

Standardization

Capital Allocation

Balance Sheet De-Risking

Proforma CommonSpirit Health

Fiscal Year End June 30, $ in Millions, Proforma Unaudited

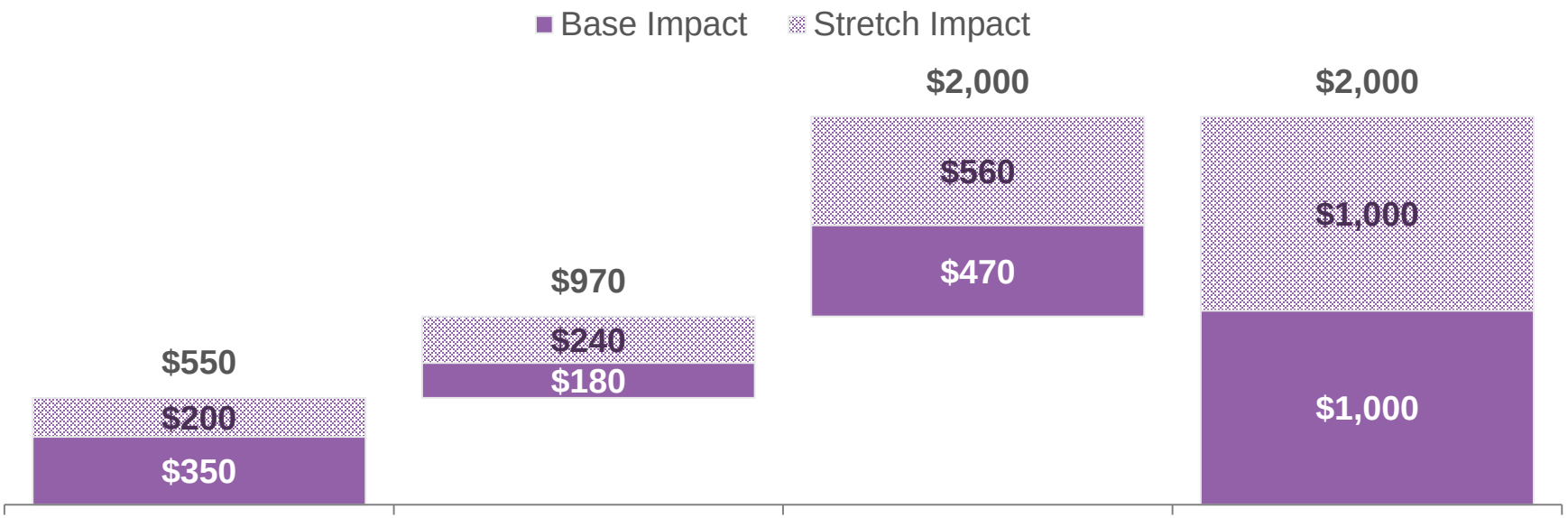
	2018*	FYTD Q3 2018*	FYTD Q3 2019
Operating Revenues	$28,780	$21,654	$21,566
EBITDA	$1,957	$1,634	$1,233
EBITDA %	6.8%	7.5%	5.7%
Total Assets	$38,665	$38,628	$38,394
Total Debt	$13,721	$13,779	$13,655
Cash and Unrestricted Investments	$12,134	$11,593	$11,018
Days Cash on Hand	161	154	146
Cash to Debt	88.8%	84.2%	80.7%
Debt to Capitalization	49.2%	50.0%	49.3%

*Normalized for provider fee timing

Synergy Goals*

$ in Millions

Realization Timeline: Over the next four years



Merger-Enabled Combinational	Catalyst	Performance Improvement	Total
Initiatives focused on reducing redundancies across the combined organization	Initiatives driven by the new, combined scale to drive cost savings and revenue enhancements	Adapting best operating practices to drive value across the unified organization	Range of total synergies

**The synergy goals and timing are based on potential savings and opportunities that have been identified to date. The timing and achievement of these goals is subject to operational uncertainties that could cause actual results to differ.*

CommonSpirit

High Value Initiatives and Rapid Savings Realization

Merger-Enabled Combinational	Catalyst	Performance Excellence
• Consolidate leadership positions and corporate functions • Drive real estate costs down through scale • Consolidate and standardize pharmaceutical formulary • Reduce outside advisor costs through consolidation • Clinical applications - reduce expenditures, resourcing recalibration • Data center operations - consolidate data centers	• Negotiate more favorable 340B pricing and increase number of external 340B pharmacies • Reduce supply chain spend through migration to lowest price between existing contracts • Implement system-wide tools to improve management of OP pharmacy payment systems	• Reallocate resources to high-ROI fundraising • Optimize revenue cycle management operations • Optimize Clinically Integrated Network operations for population health • Reduce the frequency of final denials in the combined organization • Expand specialty pharmacy • Extend most effective turnaround initiatives through CommonSpirit Health

Example Initiative: Best-in-Class Supply Chain

Structural Enablers

- Decision rights / governance to ensure rapid system-wide adoption of clinically-driven, value-generating sourcing decisions
- Standardized, centralized operating model and buy-in from operators and clinicians
- Joint data and analytics platform to review and identify opportunities while protecting prices

Value Levers

Quick wins and GPO selection

- Migrate to best SKU pricing available across legacy contracts
- Work with vendors to implement price amendments and rostering
- RFI/RFP to potential GPO partners
- Conduct bid process and select external GPO

Standardization and consolidation

- Highly-standardized product selection decisions owned by supply chain with clinical input
- Med/surg and pharmacy distribution contract consolidation
- Product substitutions / market share optimization

Operating model transformation

- FTE reductions resulting from combinational synergies
- Standard operating playbooks, tools, and best practices
- Defining scope of services and supply chain ownership

Long-Range Financial Plan FY 2023 Goals

Key ratios to support capital capacity

8.0+%	40%	150
EBITDA Margin	Debt to Capitalization	Days Cash on Hand

The plan was developed through a multi-step process

1. Combine individual finance plans
2. Incorporate synergies and implementation costs
3. Define capital requirements and capital capacity
4. Evaluate headwinds and risk-adjustments
5. Prepare consolidated 5-year plan

CommonSpirit

Debt Consolidation: Creating an Efficient, Sustainable Debt Structure

Restructuring Priorities

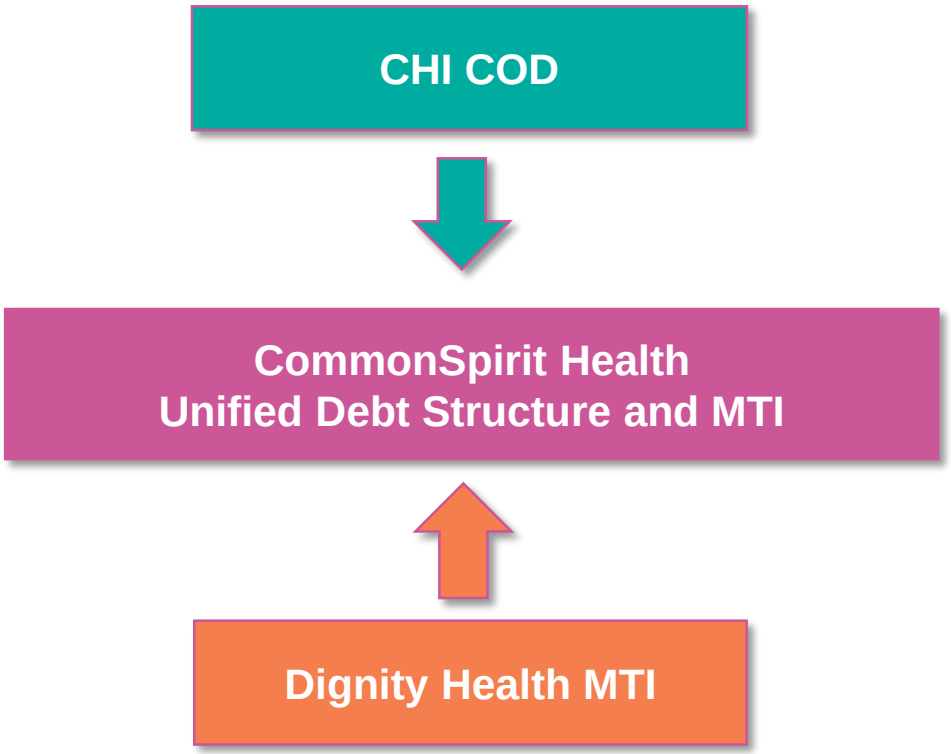
Single Credit Group

Capture NPV Savings

De-Risk Debt Portfolio

Create Near-term Cash Flow Relief

Creating a Single Credit Group

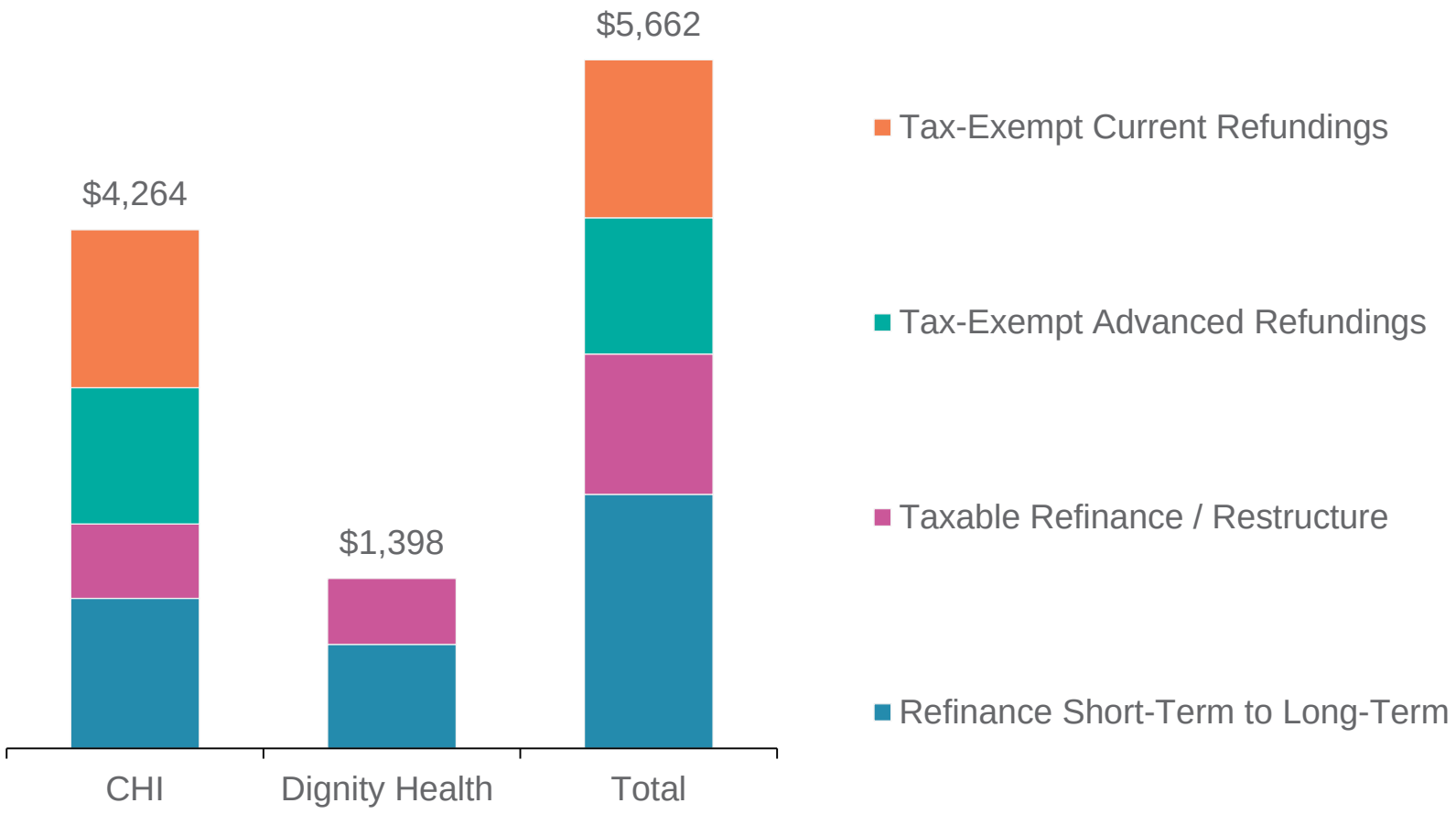


Key Security Components

- Revenue Pledge
- Joint/Several Obligation
- Rate Covenant
- Transaction Test

Potential Scope of 2019 Financing

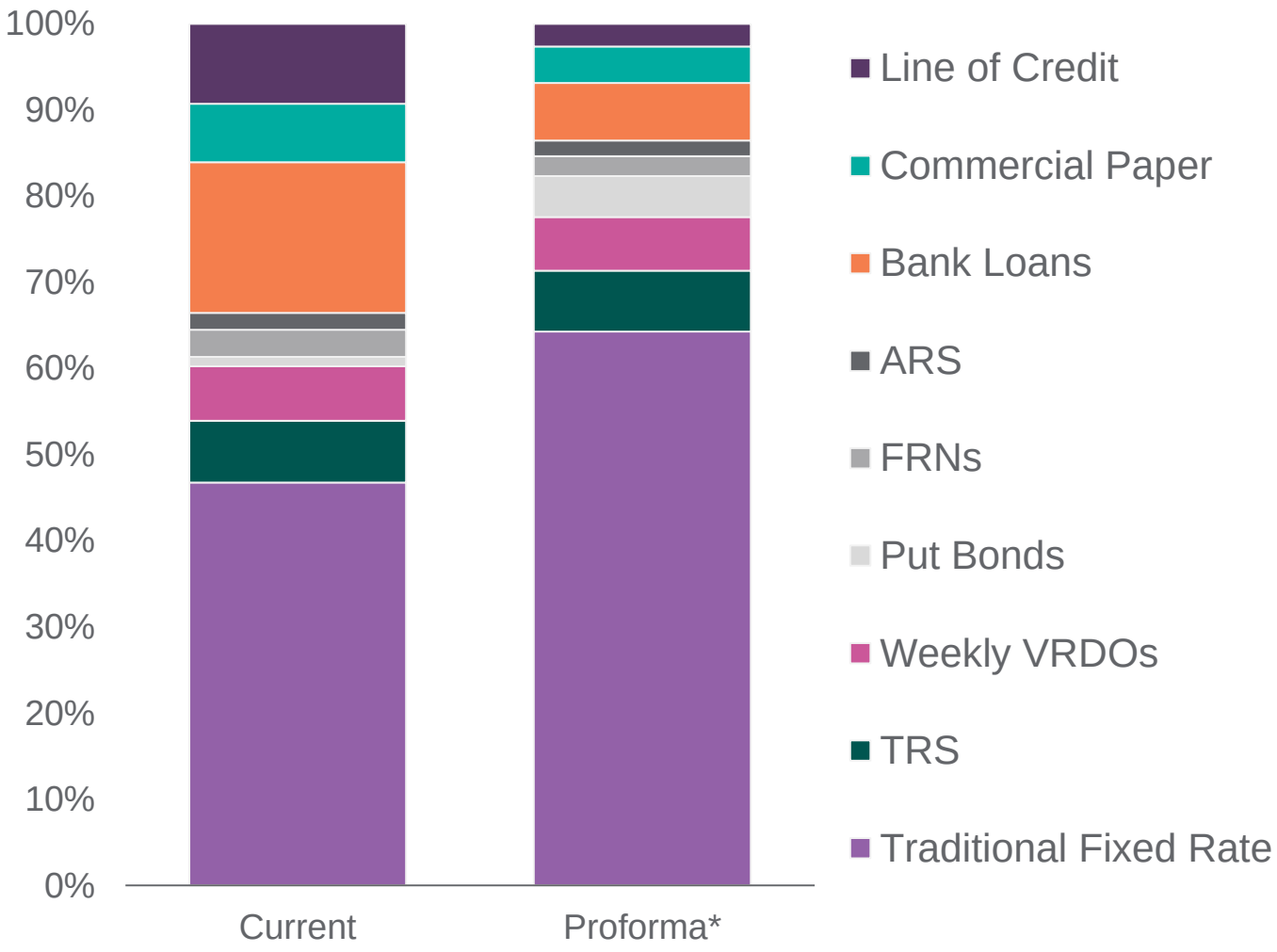
Fiscal Year End June 30, as of May 31,2019 , $ in Millions



CommonSpirit

Combined Product Mix

Fiscal Year End June 30, FYTD Q3 2019



CommonSpirit

**Preliminary, subject to change.*

Summary of Key Master Indenture Covenants

Preliminary, Subject to Change

Provision	Details
Credit Group Structure	• Obligated Group ("OG") Model • Restricted Affiliates
Security	• Pledge of Gross Revenues by the Obligated Group
Rate Covenant	• Historical actual coverage of 1.10x • EOD after two years less than 1.00x
Financial Reporting	• Audited System annual financials, if Credit Group less than 70% of System revenues then additional financial schedules on Credit Group
Transaction Test	• 1.10x historical pro forma coverage • Applies to Additional Debt Test with basket, Changes to OG, Mergers
Asset Transfer Tests	• Use Transaction Test, transfer basket of 10% of total assets
Permitted Liens	• 20% of total assets of the System
Substitution & Amendment	• MTI/Note substitution with rating in three highest rating category • MTI amendment with 51% consent

Transaction Timeline

Preliminary

Questions

Concluding Remarks: Commitment to Success

Building a New Ministry

Building for the Future of Health Care

Commitment to Communities

Commitment to Transparency

CommonSpirit Health is committed to:

- Building healthier communities
- Advocating for those who are poor and vulnerable
- Innovating how and where healing can happen—both inside our hospitals and out in the community

Our commitment to serve the common good is delivered through:

- Dedicated work of thousands of physicians, advanced practice clinicians, nurses, and staff
- Clinical excellence delivered across a system of hospitals and other care centers covering 21 states

Thank You